

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section
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Audit Report # 530-16-01
August 2, 2017

Post-Payment Audit of the Department of Family and Protective Services



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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Department of Family and Protective Services (Department) payroll, purchase, grants and travel transactions that processed through the Uniform Statewide Accounting System (USAS), the Standardized Payroll/Personnel Reporting (SPRS) and the Centralized Accounting & Payroll/Personnel System (CAPPS) during the period beginning June 1, 2015, through May 31, 2016, to determine compliance with applicable state laws.

The Department receives appendices with the full report that includes a list of the identified errors. Copies of the appendices may be requested through a [Public Information Act](#) inquiry.

The audit provides a reasonable basis for the findings set forth in this report. The Department should implement the recommendations listed in the Detailed Findings of this report. It is the Department's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure that the Department's documents comply in the future. The Department must ensure that the findings discussed in this report are resolved.

Texas law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.

Payroll transactions and payroll deductions

Payroll transactions were audited for compliance with the General Appropriations Act (GAA), [Texas Payroll/Personnel Resource](#) and other pertinent statutes.

- No issues were identified.

A limited sample of voluntary contributions was also audited.

- No issues were identified.

Purchase/procurement transactions

Purchase transactions were audited for compliance with the GAA, [eXpendit](#), the [State of Texas Procurement Manual](#) and other pertinent statutes.

The audit identified:

- Unreconciled balances.

Procurement/travel card transactions

Payment card transactions were audited for compliance with the GAA, [eXpendit](#), the [State of Texas Procurement Manual](#) and other pertinent statutes.

The audit identified:

- Unauthorized use of state-issued travel card.
- Loss to payment card rebate program.

Travel transactions

Travel transactions were audited for compliance with the GAA, [Texttravel](#) and other pertinent statutes.

The audit identified:

- Travel advance fund not reconciled.

Grant transactions

Grant transactions were also audited for compliance with [eXpendit](#), the [State of Texas Procurement Manual](#) and other pertinent statutes. A limited review of the Departments' grant transactions consisted of verifying that payments did not exceed authorized amounts. The review of these payments did not include an investigation of the Departments' procedures for awarding the grants or monitoring payments made to the payees; therefore, no opinion is being offered on those procedures.

- No issues were identified.

Prompt payment and payment scheduling transactions

We audited the Department's compliance with the prompt payment law and scheduling rules.

The audit identified:

- Interest not paid.
- Interest underpaid.
- Interest loss to Treasury.

Third-party transactions

The audit included a review of various ad hoc reports ran for the Department outside the sample. One of the ad hoc reports is the Miscoded Transactions Report, which lists potential incorrect Texas Identification Numbers (TIN) and/or T-codes used on third party transactions in compliance with [*Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\)*](#).

The audit identified:

- Incorrect TIN used on payments.
- Incorrect billing account number.

Direct deposit authorization form

A review was conducted of the Department's procedures to comply with the federal mandate to properly identify and handle payments involving the movement of funds internationally.

- No issues were identified.

Security

The audit included a security review to identify any of the Department's employees with security in USAS or on the voucher signature cards who were no longer employed or whose security had been revoked. Upon termination or revocation, certain deadlines must be observed so that security can be revoked in a timely manner.

The review identified:

- Four employees retaining security to expend funds after authority expired.
- Two employees retaining abilities to expend funds after termination.

Internal control structure

The Department's internal control structure was reviewed. The review was limited to obtaining an understanding of the Department's controls sufficient to plan the audit and did not include tests of control policies and procedures.

- No issues were identified.

Fixed assets

The audit included a limited review of fixed assets acquired by the Department during the audit period to test for accurate reporting in the State Property Accounting (SPA) System and to verify existence of the assets.

- All of the assets tested were tagged, in their intended locations and properly recorded in SPA.

Prior post-payment audit and current audit recurring findings

A prior post-payment audit of the Department's payment card transactions was concluded on Aug. 25, 2011.

During the current audit, the following recurring findings were identified:

- Prompt payment and payment scheduling issues.

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DETAILED FINDINGS — PURCHASE

Unreconciled Balances

Finding

During our audit, we contacted 10 vendors outside of the sample to determine if there are any potential issues related to the Department's account with the vendors. From the 10 vendors contacted, four vendors responded to our inquiry. In reviewing the vendor responses, we identified two vendors that were overpaid for goods or services.

Inadvertent overpayments occur because of pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds and other related errors. In this case, the Department failed to reconcile balances from two vendors dating back to 2014. As a result, these two vendors were overpaid \$4,532.58 by the Department. The Department stated that the software used to process payments to the vendor only allows the Department to make adjustments once a month and the Department was not aware of these overpayments.

When the Department and a vendor agree to a certain rate or quantity, unless the purchase order is properly amended by the vendor providing additional consideration, any amount above that rate or quantity may not be paid. In addition, any amendments must be completed prior to the vendor providing goods or services.

Recommendation/Requirement

The Department must properly review and compare the invoices to the contract to ensure that payments do not exceed the amounts authorized in the purchase order and that any amendments to the original purchase order are documented. In addition, the Department needs to reconcile the two overpaid vendors' accounts.

Department Response

DFPS' management agrees with the finding.

- 1) CPS will review its current business processes to ensure that these business processes/reports support the timely reconciliation of payment discrepancies.
(90 days)*
- 2) CPS will research and resolve any pending issues related to unreconciled balances.
(90 days)*

DETAILED FINDINGS — TRAVEL CARD

Unauthorized Use of State-Issued Travel Card

Finding

We identified 16 instances outside the sample where Department employees used a state-issued travel card to purchase items of a personal nature totaling \$1,752. The Department indicated that its internal procedures require monitoring of expenditures made with the state-issued credit card, but in these instances, it did not follow those procedures. The Department also stated that all state-issued travel card transactions are paid by the employee and only appropriate expenses are reimbursed to the employee with state funds. Agencies have the ability to block certain purchases by merchant category code. The Department had no procedures in place to block credit card merchant codes for unauthorized purchases. During fieldwork, the Department set up unauthorized merchant category codes to be blocked through the state credit card administrator, Citibank.

According to 34 Texas Administrative Code Section 20.413(d)(2), state agencies shall cancel a state-issued travel credit card when an employee fails to timely pay the charges, uses the card for personal transactions or for any other misuse of the credit card.

Recommendation/Requirement

The Department must ensure that all state-issued travel card transactions are properly reviewed and that Department travel cards are used in accordance with the applicable rules and requirements. The current state credit card administrator, Citibank, offers reports that could help the Department monitor its credit card usage. The Department must offer periodic training to its credit card holders on proper use of state-issued credit cards.

Department Response

DFPS' management agrees with the finding.

The goods and services in question that were charged to the Travel cards were personal expenses and were not reimbursed on the Travel claims. Staff are required to follow all rules and requirements regarding charging personal expenses to the state-issued travel cards, but new cardholders made mistakes.

Since the recommendations, the merchant codes have been locked down so staff can not make these types of transactions. A report is ran monthly that details Denied transactions. An email is sent to the traveler and supervisor regarding the Denied transaction reminding them of the proper use of the travel card to ensure compliance with all Comptroller rules and requirements.

A new procedure will be implemented on 08/01/17. An email will be sent to the supervisors on August 1st asking if they still approve for their staff member to have a state-issued credit card. An email will be sent to the card holder and their supervisor for a newly signed Statement of Responsibility; including a policy review for staff to sign and return to the agency. The newly signed documents must be received by September 1, 2017 ensuring staff are approved to have a state-issued credit card and are trained in the proper use of the state-issued credit cards. All new cardholders will have to undergo mandatory training.

Loss to Payment Card Rebate Program

Finding

We ran a report outside of the sample to identify any outstanding payments due to Citibank by Department employees for the audit period. We found 80 outstanding balances of over 180 days totaling \$107,045.15 that were deducted from the state of Texas and Citibank Rebate Program. The Department stated that they have policies and procedures in place to monitor the state of Texas credit cards, but due to employee turnover, the Department has not been able to enforce the policies and procedures in place.

The state of Texas and Citibank Contract No. 946.A1 states that Citibank shall make annual payments to the state of Texas (based on the state fiscal year) or Cooperative Purchasing Program Customers in the form of a rebate or other revenue sharing arrangement. The rebate or revenue sharing arrangement shall be based on the total cumulative spent dollars as posted for both the payment and travel charge cards. The contract also states that payments received on day 41 or later will not qualify for rebates.

Also, any outstanding balances will be deducted from the annual rebate payment to the state of Texas. In this case, the \$107,045.15 was deducted from the annual rebate program payment due to the state of Texas.

Recommendation/Requirement

The Department must ensure that the payments to Citibank are in compliance with the state of Texas and Citibank contract/rebate program. The Department must create policies and procedures to monitor the state of Texas Individual Billing Travel (IBT) credit cards and ensure they are being paid according to the contract terms. This will eliminate any loss to the state's Citibank rebate program.

Department Response

DFPS' management agrees with the finding.

A report is ran one day after the due date. An email is sent to the credit card holder and the supervisor reminding them the payment is past due. If the amount is over \$500, the Regional Director is included on the email. An additional report is ran when the payment is 10 days late. An email is sent to the credit card holder, supervisor and the Regional Director reminding them the payment is due and payable to Citibank immediately.

A termination report is ran weekly. All credit cards for terminated employees are closed and an email is sent to the supervisor ensuring the credit card was returned to the agency. If there is an amount due on the credit card, a letter is mailed to the credit card holder reminding them of their responsibility to pay the amount due in full and alerting them the credit card has been closed.

A new policy is being prepared that will allow us to place a credit card holder ON HOLD if the credit card is closed for nonpayment to ensure all funds are paid to Citibank eliminating any loss to the Citibank rebate program. We also plan to reduce the credit limit to \$1, if an employee is over 10 days late making a payment.

DETAILED FINDINGS — TRAVEL

Travel Advance Fund Not Reconciled

Finding

During our audit, we found that the Department is not reconciling the travel advance fund. The Department was unable to provide any supporting documentation that the reconciliation is being conducted. The Department stated that they have policies and procedures in place to reconcile this account, but due to the employee responsible for this task being terminated, the Department has not been able to continue the reconciliation.

Travel advance funds are established to advance funds to a state employee for the employee's projected travel expenses. To ensure the year-end Uniform Statewide Accounting System (USAS) balances for imprest, petty cash and travel advance accounts are correct, agencies authorized to maintain these accounts are asked to certify that USAS balances and agency computed balances (cash plus outstanding reimbursement) agree. In June of each year, the Petty Cash Certification web application is available to reconcile and certify USAS and the agency travel advance fund. See [*USAS Balances for Imprest, Petty Cash and Travel Advance Accounts \(FPP A.045\)*](#).

Recommendation/Requirement

The Department must reconcile the travel advance fund and ensure the accuracy and the validity of the transactions processed. The Department should also ensure that the Petty Cash Certification is submitted as prescribed by the Comptroller's office.

The Department must ensure that multiple employees are trained in this process so that, in the event of a termination, the reconciliation can still be completed.

Department Response

DFPS' management agrees with the finding.

DFPS' management is working closely with staff to reconcile the travel advance fund and ensure the accuracy and validity of the transactions processed. DFPS staff will be documenting the reconciliation procedures, compiling a manual and training multiple employees to ensure the knowledge and expertise is not lost in the event of termination.

DETAILED FINDINGS — PROMPT PAYMENT AND PAYMENT SCHEDULING

Prompt Payment

Finding

According to the prompt payment law, [Texas Government Code, Section 2251.021\(a\)](#), a governmental entity's payment is overdue on the 31st day after the later of:

- The date the governmental entity receives the goods under the contract,
- The date the performance of the service under the contract is completed or
- The date the governmental entity receives an invoice for the goods or service.

The Comptroller's office computes and automatically pays any interest due under the prompt payment law when the Comptroller's office is responsible for paying the principal amount on behalf of the agency. See [Texas Government Code, Section 2251.026](#). During the audit period, the Department paid vendors \$25,614.58 of prompt payment interest.

In our sample, we identified 19 transactions that were paid late but interest was not paid to the vendors. We also noted one transaction in which interest was underpaid to the vendor. According to the Department, these errors occurred due to an oversight.

Payment Scheduling

Finding

[Texas Government Code Section 2155.382\(d\)](#), authorizes the Comptroller's office to allow or require state agencies to schedule payments that the Comptroller's office will make to a vendor. The Comptroller's office must prescribe the circumstances under which advance scheduling of payments is allowed or required; however, the Comptroller's office must require advance scheduling of payments when it is advantageous to the state.

We identified 14 transactions where the Department paid early, resulting in interest loss to the State Treasury. According to the Department, these errors occurred due to an oversight.

Recommendation/Requirement

The Department must review its procedures to ensure that it submits payment information for processing as well as releasing the payment in a timely manner to avoid incurring interest liabilities. In addition, the Department must verify that proper due dates are entered to ensure that, if interest is due, it is paid correctly to vendors.

To minimize the loss of earned interest to the State Treasury, the Department must schedule all payments that are greater than \$5,000 for the latest possible distribution and in accordance with its purchasing agreements as described in [eXpendit](#) — Payment Scheduling.

Department Response

DFPS' Management agrees with the finding.

Prompt Payment:

Management with DFPS Accounting Operations conducted a staff meeting with DFPS Accounts Payable staff to reiterate existing procedures to follow when entering the dates impacting payment of late payment interest. Management has incorporated procedure manuals for quick reference and to help guide staff. We currently run reports that provide the interest that has been paid and meet with the staff to address the issues. Efforts are currently underway to provide training for applicable staff. As of May 2016, these corrective measures have already been incorporated.

Payment Scheduling:

Management with DFPS Accounting Operations reiterated written procedures to follow when entering the dates impacting interest for expenditures that exceed \$5,000 per payment scheduling rules. There was a staff meeting to go over audit findings to prevent this from happening in the future. This process is currently being enforced agencywide. Management is also exploring the creation of an exception report detailing payments exceeding \$5,000 scheduled to pay. This report will be reviewed daily to ensure payments are made at the scheduled time to minimize the loss of interest to the State Treasury.

DETAILED FINDINGS — THIRD-PARTY TRANSACTIONS

Incorrect TIN Used on Payments

Finding

We identified 17 payment card documents in our sample and in a separate report generated outside of our sample. We also identified 1,003 purchase transactions (totaling \$1,685,395.15) where the Department used the incorrect Texas Identification Numbers (TIN) when making payments to vendors. The Department stated that this was due to oversight.

On the majority of the transactions, the incorrect TIN was used for the corresponding 264/905 third-party disbursement combination. The 264 line should be the vendor's TIN and the related 905 line should be the TIN of the vendor receiving the payment. For one transaction, the 247 transaction line carries the TIN of the employee incurring the expenses. The 904 transaction line is payable to the Department's local account.

Inappropriate TIN usage will result in inaccurate reporting of expenditures for public information requests. Incorrect T-code use will also affect the proper determination of prompt payment interest in USAS. The use of proper TINS and T-codes is necessary to capture the actual vendor/individual doing business with the state. See [Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\)](#) that explains the correct TIN to use in combination with transaction codes when processing third-party payments in USAS.

Recommendation/Requirement

The Department must review its policies and procedures for processing third-party transaction payments. In addition, the Department must ensure employees are trained to process these types of transactions.

Department Response

DFPS' Management agrees with the finding.

The DFPS Accounting Department will work with IT to ensure the correct Comptroller T-Code and corresponding data is transmitted when processing these payments types. The estimate to build, test and implement the change is 6-9 months and involves a coordinated effort between DFPS and HHSC to modify the following applications:

- *eTravel*
- *eTravel Financials batch which is a subset of IMPACT Financial*
- *HHSAS/CAPPS 9.2*
- *HCATS/SCOR*

Note: A specific implementation date is dependent on the prioritization of this and the following financial-related projects (SSCC, FBSS, ICC, HB4, CAPPS 9.2/SCOR).

Incorrect Billing Account Number

Finding

We ran a report outside of the sample to identify potential payments processed incorrectly to third-party vendors by the Department for the audit period. During our review of this report, we identified 35 payments processed incorrectly to the state's payment card vendor. The Department failed to provide the correct billing account number as prescribed by [Processing Third-Party Transactions in USAS for Payment/ Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\)](#) and [USAS and CAPPS Financials Invoice Number Field Requirements \(FPP E.023\)](#). As a result, the vendor was unable to directly post payments to the Department's payment and travel card accounts; this may further result in unidentified and delayed payment postings and potential lost rebate earnings.

Recommendation/Requirement

The Department must enhance its procedures to ensure payments for third-party transactions are processed in accordance with FPP A.043 and FPP E.023. To avoid any account delinquency or reconciliation issues, we recommend that the Department review payment card statements to ensure the payments were posted correctly.

Department Response

DFPS' management agrees with the finding.

We are in the process of looking at an automated solution that will mask TINs for the purpose of making payments for third-party transactions and create a walk-back to the correct TINs. After these corrective measures have been completed, training will be provided including preparing desk procedures for staff to follow. These procedures will ensure future third-party transaction payments will be paid with the correct TIN.

DETAILED FINDINGS — SECURITY

Employees Retained Security to Expend Funds After Authority Expired

Finding

During the audit period, the Department failed to submit a request to remove four employees' security in USAS that allows them to electronically approve the Department's expenditures on or before the effective date of the employees' revocation. The requests to remove the employees from the signature card were sent three days late for one employee, one day late for the second, 430 days late for the third, and 362 days late for the fourth employee. This could have allowed the employees to approve any vouchers that the Department submitted electronically to the Comptroller's office through USAS after the employee's authority had expired. Any payment produced by a document that was approved by an employee whose security had been revoked would have constituted an unapproved expenditure. We ran a report and determined that no unapproved documents were processed during the audit period.

When an employee's authority to approve an agency's expenditures is revoked for any reason, the employee's security profile must be changed not later than the effective date of the revocation or termination to prevent the employee from executing electronic approvals for the agency. See 34 Texas Administrative Code Section 5.61(k)(5)(A)-(B).

The Department has procedures to notify the security coordinator of personnel actions. In these instances, the request to remove the employees' security was delayed due to the Department's oversight.

Recommendation/Requirement

The Department must ensure compliance with security revocation requirements for terminated employees. It must also ensure that staff responsible for sending the revocation notifications to the Comptroller's office is aware of the employee terminations on or before the dates the revocations become effective and follows through with the Comptroller's office to ensure receipt of the notification and that the revocation occurred.

Department Response

DFPS' Management agrees with the finding.

A termination report is run by the DFPS Paymaster and submitted weekly to DFPS' Security Coordinator. DFPS Security Coordinator is comparing the list of terminations against a list of Comptroller's office system users to identify security accesses that must be removed. The Department has established these security procedures and will be documenting them. The Department will ensure that a request to revoke an employee's access is submitted on or before the employee's termination or revocation and will follow through to verify employees' revocation has occurred.

The Department will begin comparing this same termination report against employees who are authorized to approve expenditures and send notification to the Comptroller's office no later than fifth day after the effective date of the employee's termination.

Employees Retained Ability to Expend Funds After Termination

Finding

During the audit period, the Department failed to timely notify the Comptroller's office about the termination of two employees who had been designated by the Department to approve its expenditures. The requests to remove the employees from the signature card were sent 357 days late for one employee and 52 days late for the second employee. This means that the former employees could have approved paper vouchers that were submitted to the Comptroller's office during that time. Any payment produced by a paper voucher that was approved by the terminated employee would have constituted an unapproved expenditure. We researched our archived files and determined no unapproved documents were processed during the audit period.

Whenever a designated employee terminates employment with an agency, the Comptroller's office must receive notification of the employee's termination no later than the fifth day after the effective date of the employee's termination. Any officer or employee may send the Comptroller's office that notification. See 34 Texas Administrative Code Section 5.61(k)(3)(B).

The Department has procedures to notify the security coordinator of personnel actions. In these instances, the security coordinator did not follow procedures.

Recommendation/Requirement

The Department must ensure compliance with the security revocation requirements for terminated employees. It must also ensure that staff responsible for sending the revocation notifications to the Comptroller's office is aware of the employee terminations on or before the dates the revocations become effective and follows through with the Comptroller's office to ensure receipt of the notification and that the revocation occurred.

Department Response

DFPS' Management agrees with the finding.

A termination report is run by the DFPS Paymaster and submitted weekly to DFPS' Security Coordinator. DFPS Security Coordinator is comparing the list of terminations against a list of Comptroller's office system users to identify security accesses that must be removed. The Department has established these security procedures and will be documenting them. The Department will ensure that a request to revoke an employee's access is submitted on or before the employees' termination or revocation and will follow through to verify employees' revocation has occurred.

The Department has begun comparing this same termination report against employees who are authorized to approve expenditures and send notification to the Comptroller's office no later than fifth day after the effective date of the employees' termination.